

complaint

Ms D complains that Lloyds TSB Bank plc encouraged her to take out numerous loans and overdrafts over the years. She always paid everything that was due. However, when she lost her job, she started to struggle to keep up with payments. She would like the bank to write off her remaining debt, given how much money she has paid to it in the past.

background

Ms D is a long-standing customer of the bank. She had taken out various loans with the bank over the years, all of which she had paid off. Late in 2007 she notified the bank that she had lost her job and that she was experiencing financial difficulties. As a result, Ms D was unable to keep up with payments to her credit card, and late in 2008 the bank passed Ms D's credit card account to a debt collection agency, to collect the debt on its behalf. Since then, Ms D has made small but regular monthly payments towards the debt. No further charges or interest have accrued.

Shortly after the bank transferred Ms D's credit card debt to agents, it transferred her current account to its debt recovery unit, with which it remained until the debt was sold to an external debt collection company in the summer of 2012.

Ms D complained to the bank in October 2012. The bank apologised that it had not fully explained its debt recovery process to Ms D, and that it had taken just over a month to reply to her complaint. It sent her a cheque for £30 in recognition of the upset and distress it had caused her. Ms D was dissatisfied with the bank's response, and complained to this service.

The adjudicator did not recommend that Ms D's complaint should be upheld. She explained that while the bank should behave positively and sympathetically to a customer experiencing financial difficulties, it was not obliged to write off the customer's debt. She commented that the bank had not sold Ms D any further products once she told it she had lost her job. She also explained that the transfer of debt to a debt collection agent allows more flexible payment arrangements to be discussed and commented that Ms D had continued to make payments since the transfer. Finally, she explained that the bank was entitled to transfer Ms D's current account debt to debt collection agents. She acknowledged that the bank should have warned Ms D that this would happen, but considered the £30 which the bank had paid to Ms D to be reasonable compensation for this.

Ms D was not happy with the adjudicator's recommendation. She says she feels she was taken advantage of by the bank, which offered her loans and large overdrafts even though it knew she was struggling financially. She says it knew both that she needed the money and that she would struggle to repay, but it didn't care. She feels that the bank was always happy to encourage her to borrow money, but treated her badly when she lost her job. She thinks that the bank should buy back the debts from the debt collection agents and discharge them.

Since the adjudicator sent her assessment of Ms D's complaint, the debt collection company who purchased the debt on Ms D's current account has offered to accept less than a third of the outstanding debt in full settlement and suggested that she contact it to discuss its proposal. But Ms D does not have the money to pay the debt off, even at the reduced rate and she still believes that the bank should buy the debt back and discharge it.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I have come to the same conclusion as the adjudicator, and for substantially the same reasons.

Like the adjudicator, I sympathise with Ms D for the position she finds herself in. But I cannot conclude that the bank acted unfairly in this case, or that it should write off Ms D's debt. Ms D told the bank in 2007 that she was struggling financially. I have not seen any evidence that it sold her any further products after that. The combined debt outstanding on Ms D's credit card and overdraft was more than £17,000 and I consider that the bank acted in Ms D's best interest by transferring her accounts to its debt recovery team and agents once it became clear that her financial situation had not improved in the short term. The transfer of her debts meant that further interest and charges stopped accruing. It also meant, as the adjudicator commented, that more flexible repayment arrangements could be put into place.

I accept that Ms D may have paid substantial sums to the bank in connection with loans and other products that she has taken out in the past. But repayment of her current debt is a separate matter and I am unable to conclude that the bank failed to act fairly or sympathetically towards Ms D once she told it of her situation. The bank has apologised to Ms D for not fully explaining its debt recovery processes to her and its short delay in responding to her complaint. I consider the £30 compensation it has sent to her to be reasonable in all the circumstances.

my final decision

My decision is that I do not uphold this complaint.

Juliet Collins
ombudsman